THE REAL ESTATE ANALYSTS

The Real Estate ANALYST

APRIL 1944

Roy Wenzlick
Editor

A concise easily digested periodic analysis based upon scientific research in real estate fundamentals and trends....Constantly measuring and reporting the basic economic factors responsible for changes in trends and values.....Current Studies.... Surveys....Forecasts

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REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

VOLUME XIII

THE BUILDING OUTLOOK AS FORECAST BY BUILDING MATERIAL STOCKS

MOST building material common stocks listed on the New York Stock Exchange have fared better since the low point in 1941-1942 than the Dow-Jones average of industrial stocks. There might be many explanations for this showing, including the fact that many building material manufacturers have had their plants in war production, manufacturing in many cases direct war materials. Others of these manufacturers have shared in war housing and in construction of new plants and military buildings.

Practically all war housing at the present time is finished, and military and naval building this year will probably not be greater than one-half of last year's volume. Undoubtedly a portion of the strength of the building material group of stocks lies in the hope that post-war building will get rapidly under way as soon as the war with Germany is over and in the fact that some of these producers do not have a reconversion problem.

If new building in the early post-war period should prove disappointing in volume as we believe it will, some of the building stocks are priced too high in relationship to the average of the entire market.

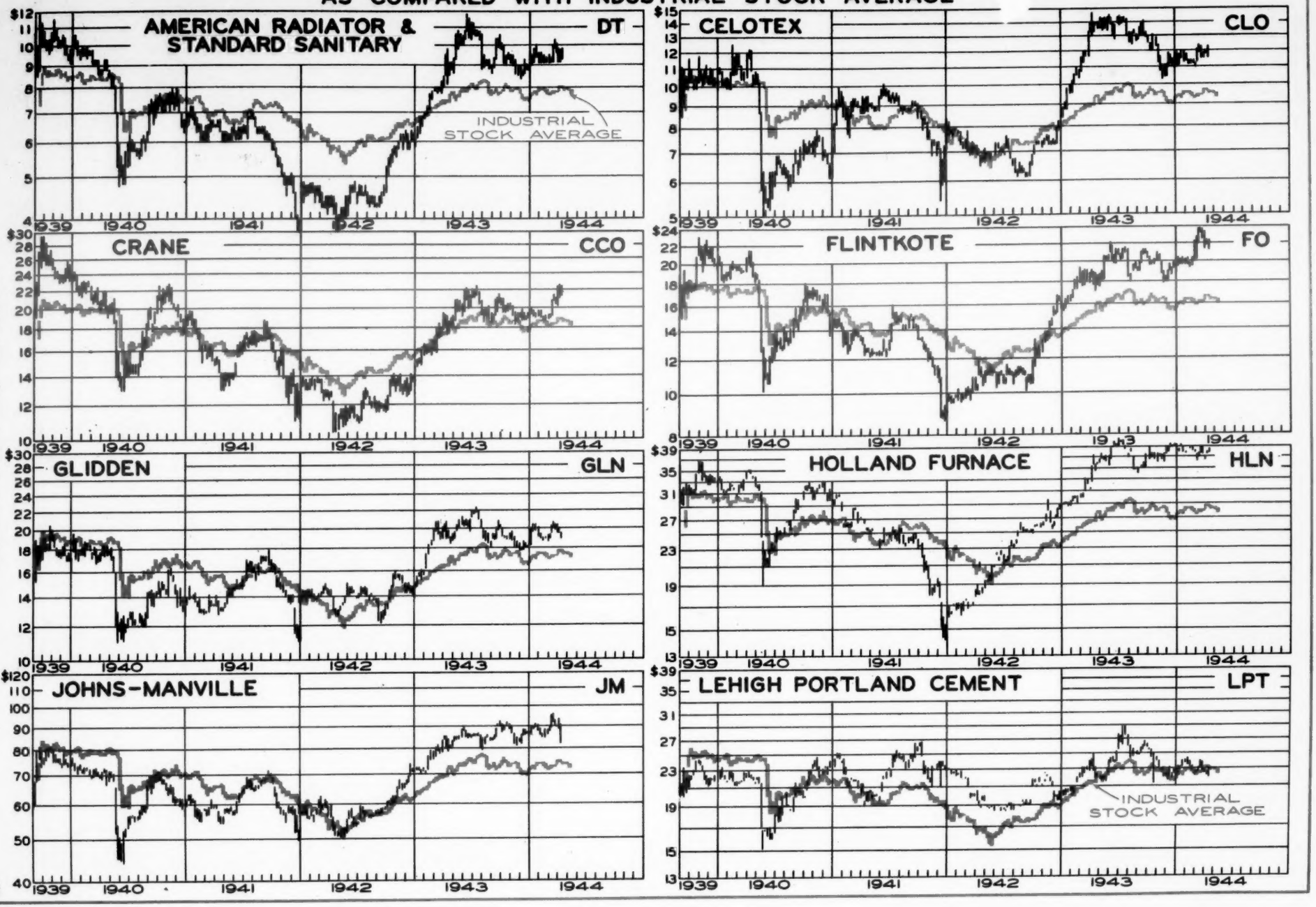
In order to show how each of 16 building material common stocks has fluctuated since the war started, in relationship to the Dow-Jones average of industrial stocks, these stocks have been charted on the two following pages. The chart is on a weekly basis with the spread between the high and the low for each week shown by a vertical line on the chart. The red curve showing the fluctuations of the Dow-Jones average has been moved up or down on each chart in order to get the best comparison of trends.

The greatest range in price from 1941 to the present on a percentage basis was shown by Walworth, which went from a low of approximately $3 to a high of approximately $10. American Radiator and Standard Sanitary showed the second largest range, running from about $3.75 to $12. The third largest range in price was shown by Holland Furnace with a low of about $14 and a high of approximately $40. The smallest amount of variation on a percentage basis in this group of stocks was shown by Lehigh Portland Cement with a low of a little over $15 and a high of about $29. Johns-Manville also showed a relatively slight fluctuation with a low of about $44 and a high of $96.

It is quite significant, however, that even Johns-Manville has shown a rise from the low considerably greater than the rise in the Dow-Jones industrial average. Lehigh Portland Cement is the only stock shown in this list which has not had a rise since 1942 greater than the rise in the Dow-Jones.

FLUCTUATIONS OF BUILDING MATERIAL STOCKS

AS COMPARED WITH INDUSTRIAL STOCK AVERAGE



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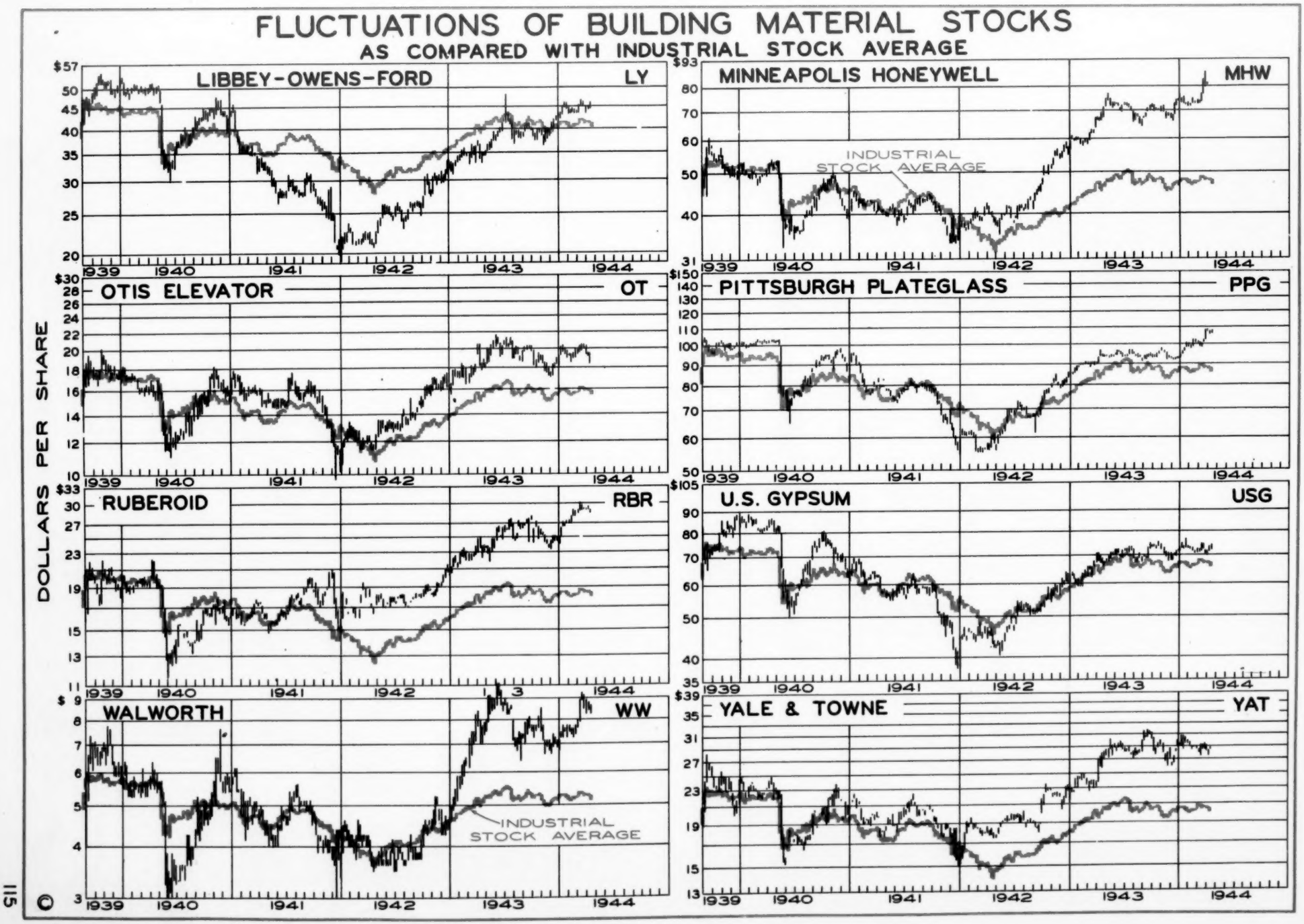
FLUCTUATIONS OF BUILDING MATERIAL STOCKS

AS COMPARED WITH INDUSTRIAL STOCK AVERAGE



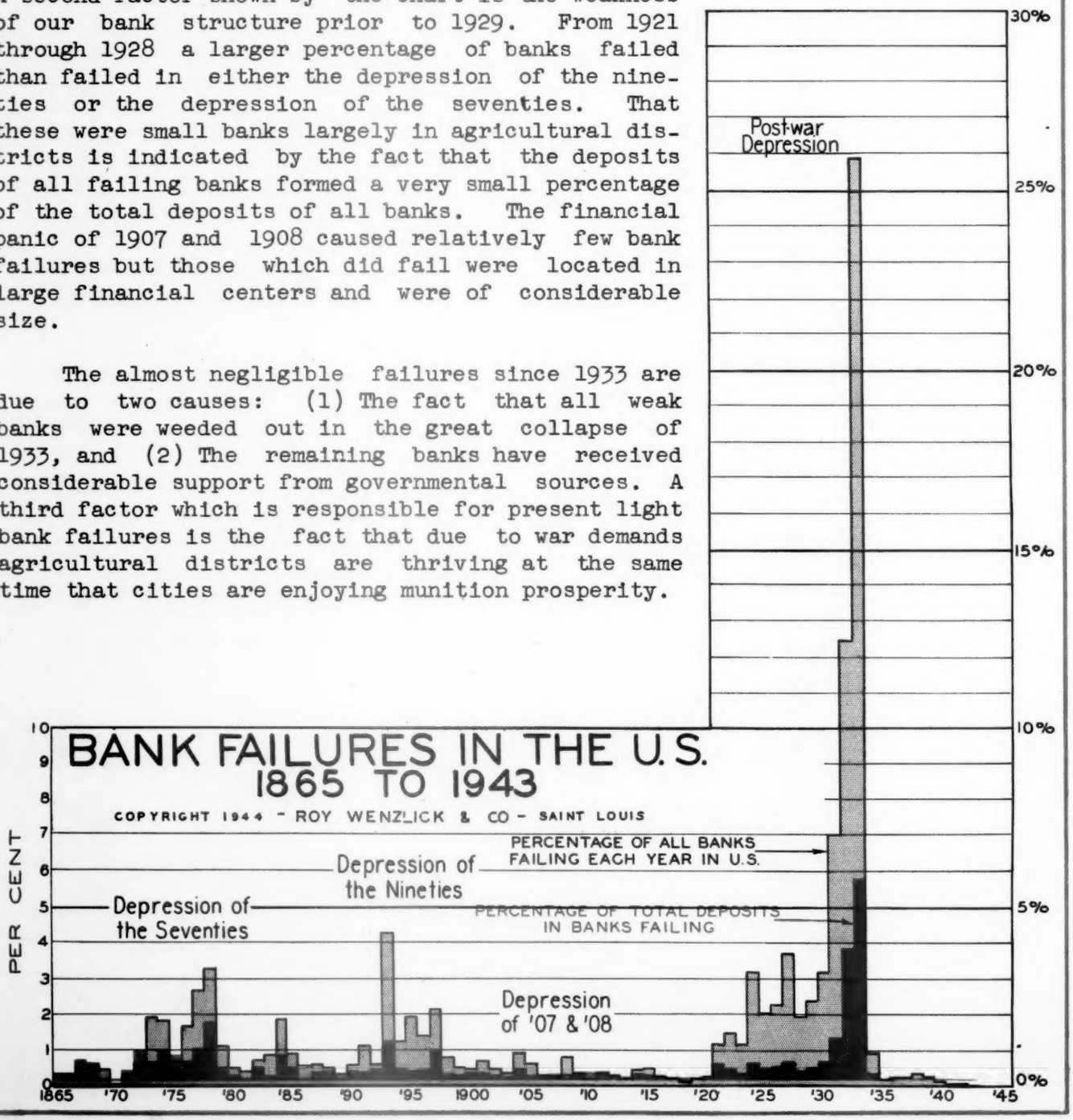
BANK FAILURES IN THE UNITED STATES

BANK failures in the United States have practically disappeared. In 1943 three-thousandths of one percent of the banks failed. The percentage of the total deposits in the banks which failed was six-thousandths of one percent. Bank failures will remain extremely low during the next few years.

The chart at the bottom of this page shows by the blue shaded bars the percentage of all banks in the United States which have failed each year. The red bars show the total deposits of the banks which failed as a percentage of the total deposits of all banks.

There are a number of interesting conclusions which can be drawn from this chart. The most striking is the extent of the collapse in 1933 in comparison with the collapse of the nineties and the collapse of the seventies. A second factor shown by the chart is the weakness of our bank structure prior to 1929. From 1921 through 1928 a larger percentage of banks failed than failed in either the depression of the nineties or the depression of the seventies. That these were small banks largely in agricultural districts is indicated by the fact that the deposits of all failing banks formed a very small percentage of the total deposits of all banks. The financial panic of 1907 and 1908 caused relatively few bank failures but those which did fail were located in large financial centers and were of considerable size.

The almost negligible failures since 1933 are due to two causes: (1) The fact that all weak banks were weeded out in the great collapse of 1933, and (2) The remaining banks have received considerable support from governmental sources. A third factor which is responsible for present light bank failures is the fact that due to war demands agricultural districts are thriving at the same time that cities are enjoying munition prosperity.



THE FORECLOSURE RATE IN PRINCIPAL CITIES

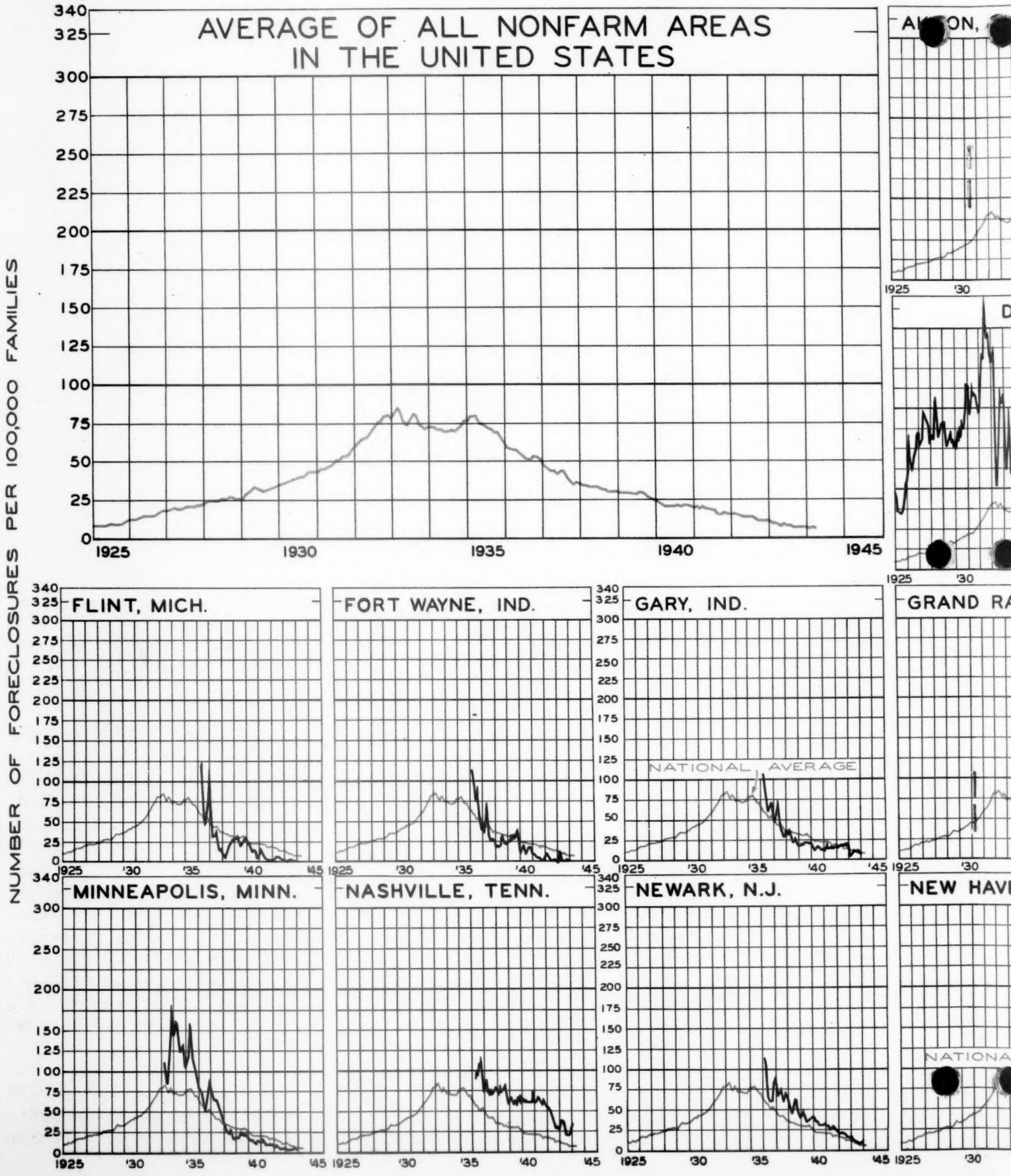
THE charts on pages 114-119 show the fluctuations in the foreclosure rate in 78 principal cities over the period since 1925, where monthly figures are available. The foreclosure rate is expressed as the number of foreclosures per month per 100,000 families. The red line on each chart is the national foreclosure rate for nonfarm communities. It will immediately be noticed that the national foreclosure rate is below the rate for most of the cities shown. It should be emphasized that the national average is not the average based solely on the 78 charted cities. The fact, too, that sharp peaks in foreclosures in different cities did not come at exactly the same time would have a tendency in the national average to round off the top of the curve.

Figures in almost all cases cover the entire county in which the city is located, but in only one case any other county or counties of the metropolitan area, unless some other city of 100,000 population is included as a suburb. The exception is St. Louis, which is not a part of St. Louis County. For St. Louis the combination of the city and county is used.

It should be kept in mind in studying these charts that foreclosure procedure is not uniform throughout the United States. In some States it is long and costly; in others it is short and relatively inexpensive. In some States moratoriums have been in effect; in others, long redemption periods are permitted. In some States a great deal of selling has been under contract with no mortgages recorded for these sales until a substantial amount has been paid and accordingly defaults on these contracts in these States would not appear as foreclosures. In some cities the only figures on foreclosures are based on foreclosure actions started; in others the figures are on foreclosure actions completed. Naturally, the former would include some cases in which foreclosure was started but called off before it was carried through to completion. A city, the figures of which show foreclosures completed, would normally show a lag in comparison with cities in which the figures are based on foreclosures started. This lag would depend upon the average length of time involved in the foreclosure procedure in that city.

In practically all cities, foreclosures at the present time are extremely low and there seems no reason to expect them to rise until after the conclusion of the war in Europe. We think it probable that in some cities in which extreme difficulty is experienced in reconversion to civilian manufacturing, foreclosures may rise by a considerable amount in this readjustment period, but we doubt whether the rise even in these cities will be as great as is feared by many local groups. This opinion is based on the belief that building costs in the post-war period are going to be higher than they were before the war or even than they are today. This will not entirely prevent foreclosures in a community which loses population rapidly and in which an excess of housing accommodations develops, but we think it will retard them. The very fact that real estate prices will have risen in other more fortunate communities and that the cost of replacement has risen in all communities will have a tendency to cause owners to hang on to their properties as long as they can and will make lenders more willing to be lenient.

If, on the other hand, construction costs in the early post-war period should be lower than they were before the war or than they are at present, foreclosures would increase rapidly in most communities. This in our opinion will not occur.


AVERAGE OF ALL NONFARM AREAS IN THE UNITED STATES
NUMBER OF FORECLOSURES PER 100,000 FAMILIES
340
325
300
275
250
225
200
175
150
125
100
75
50
25
0
1925
1930
1935
1940
1945
FLINT, MICH.
FORT WAYNE, IND.
GARY, IND.
NATIONAL AVERAGE
MINNEAPOLIS, MINN.
NASHVILLE, TENN.
NEWARK, N.J.
'30
'35
'40
'45

FLUCTUATIONS IN THE FORECLO

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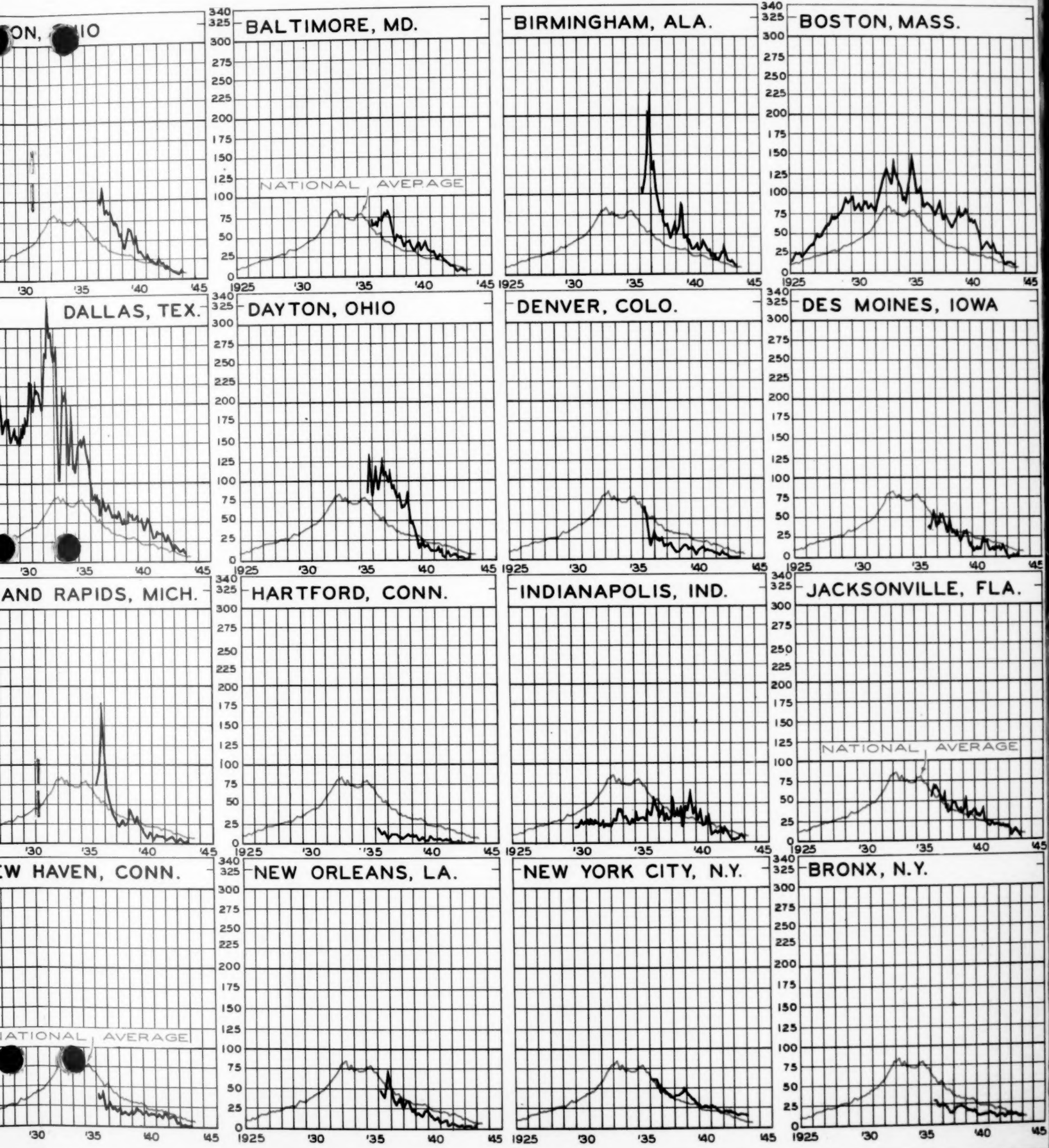
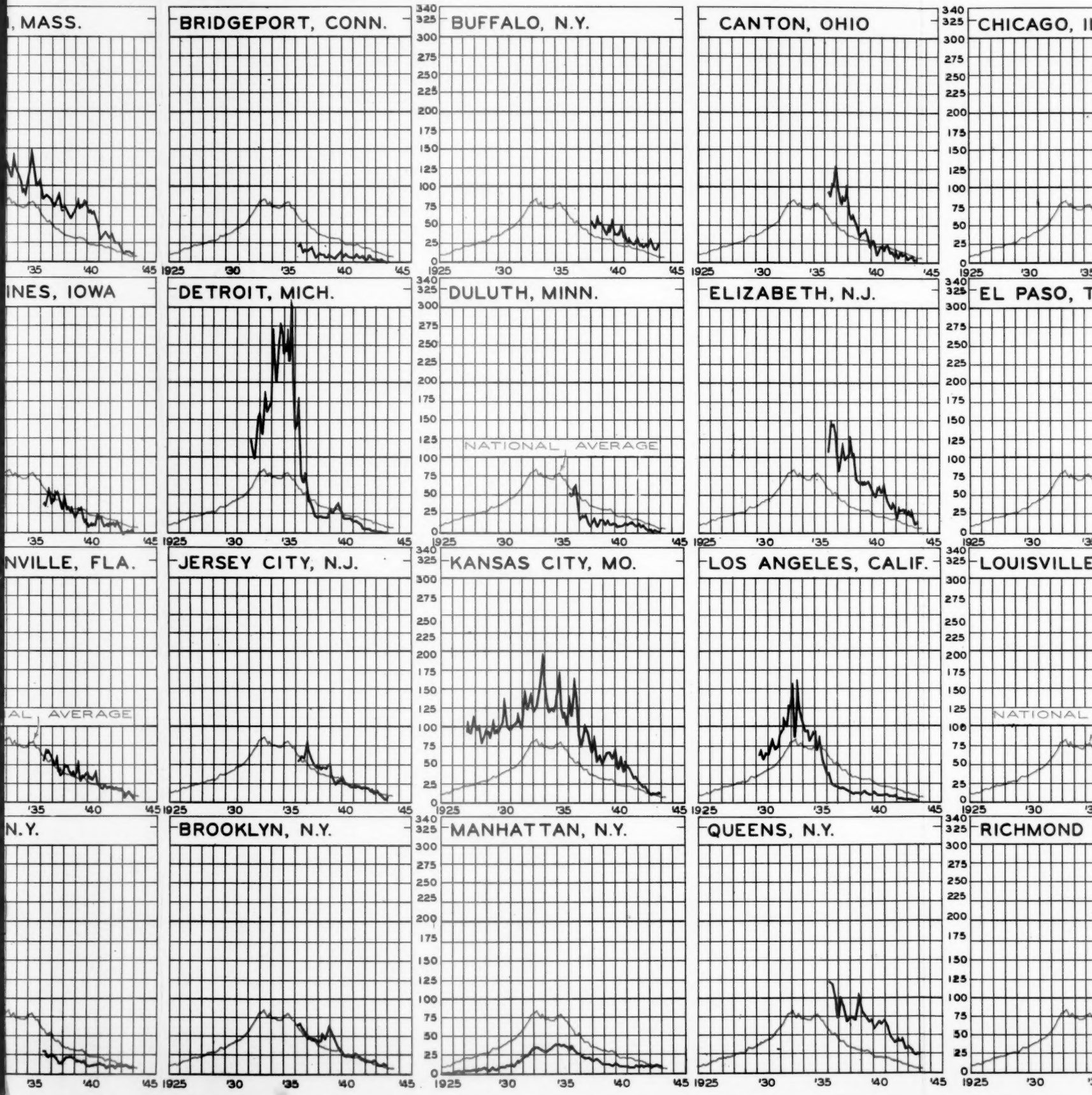
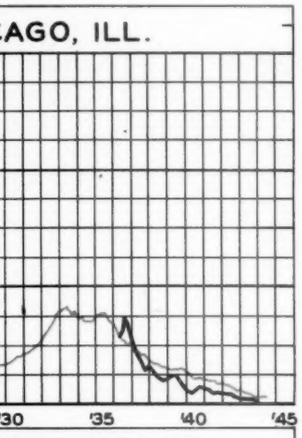


ORECLOSURE RATE BY PRINCIPAL CITIES

~ ROY WENZLICK & CO. ~ 1944




AGO, ILL.
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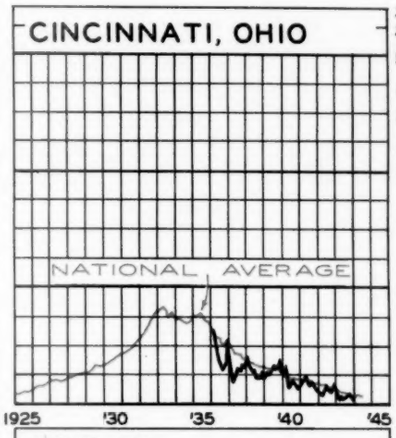
CINCINNATI, OHIO
NATIONAL AVERAGE
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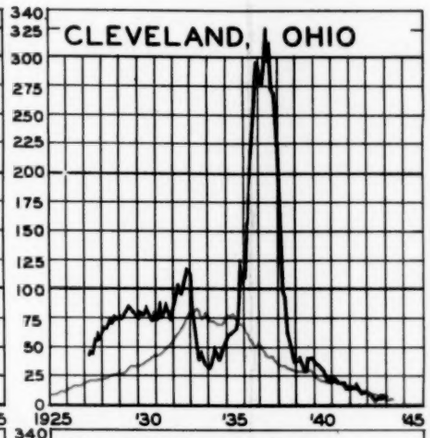
CLEVELAND, OHIO
340
325
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275
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225
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175
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125
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75
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1925
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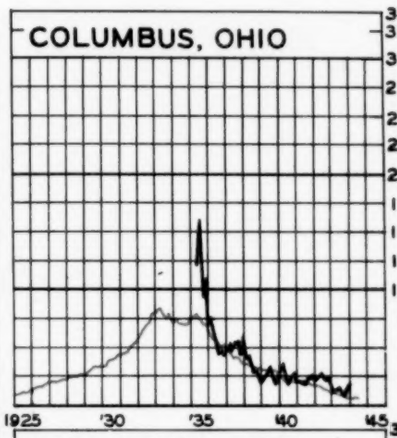
COLUMBUS, OHIO
340
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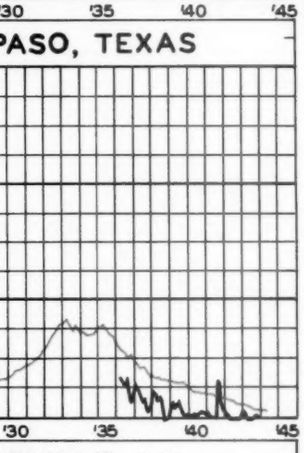
PASO, TEXAS
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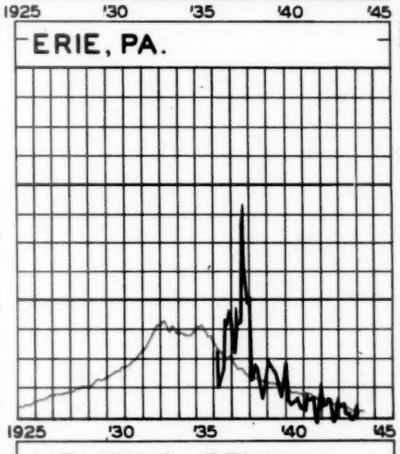
ERIE, PA.
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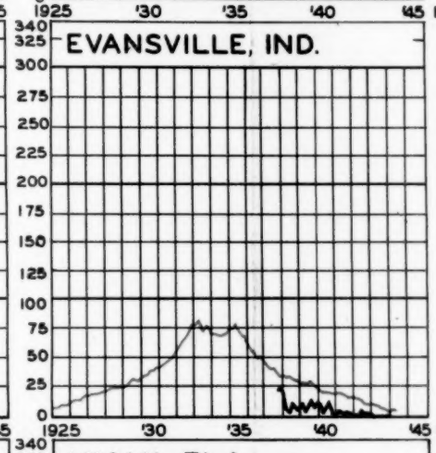
EVANSVILLE, IND.
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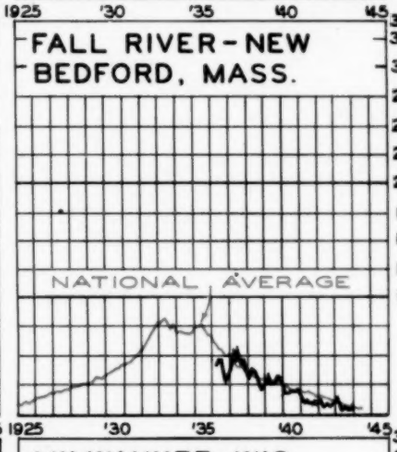
FALL RIVER - NEW
BEDFORD, MASS.
NATIONAL AVERAGE
340
325
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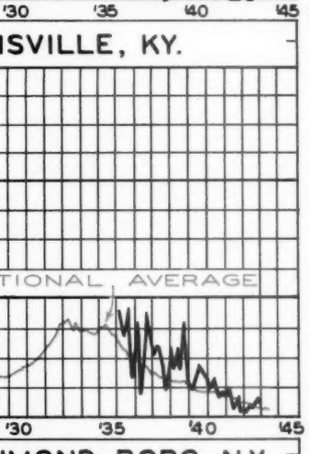
ISVILLE, KY.
TIONAL AVERAGE
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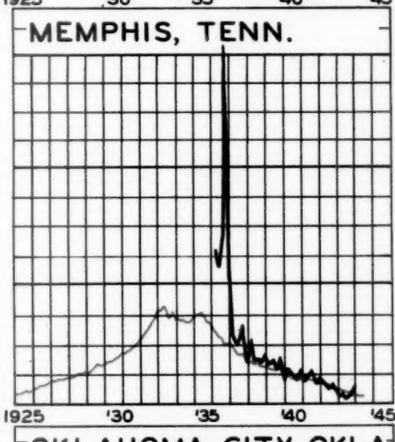
MEMPHIS, TENN.
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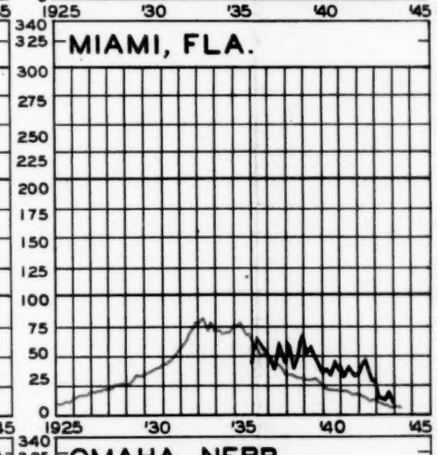
MIAMI, FLA.
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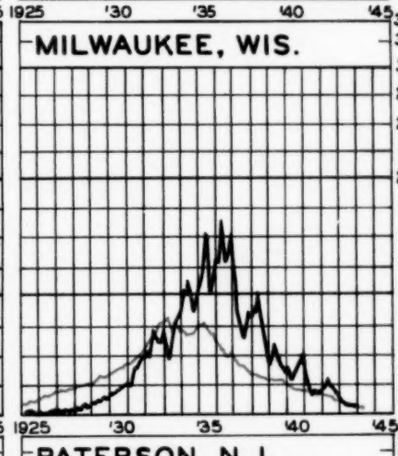
MILWAUKEE, WIS.
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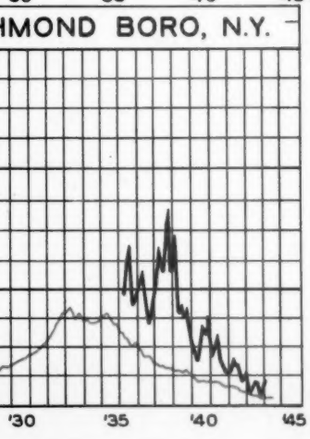
HMOND BORO, N.Y.
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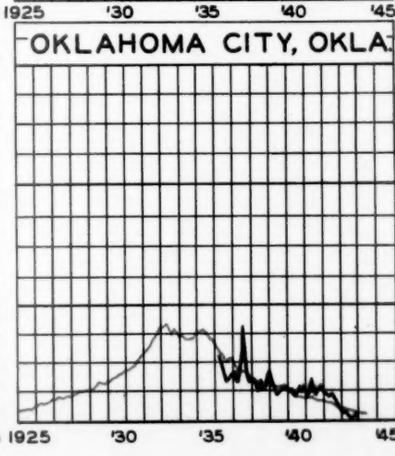
OKLAHOMA CITY, OKLA.
1925
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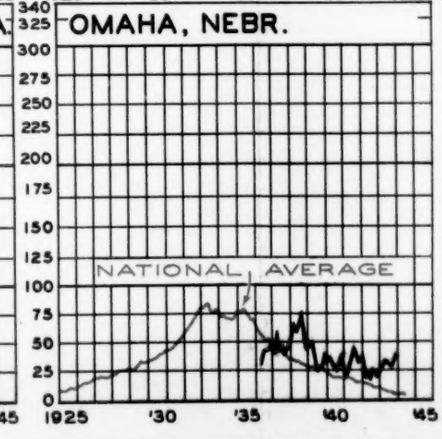
OMAHA, NEBR.
NATIONAL AVERAGE
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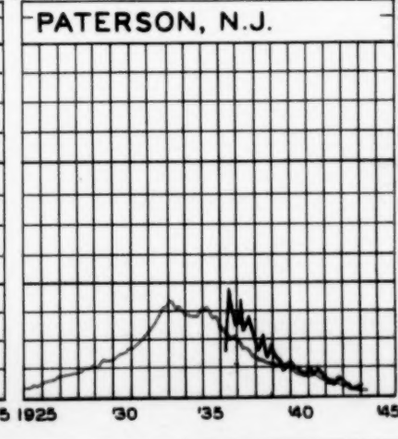
PATERSON, N.J.
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FLUCTUATIONS IN THE FORECLOSUR

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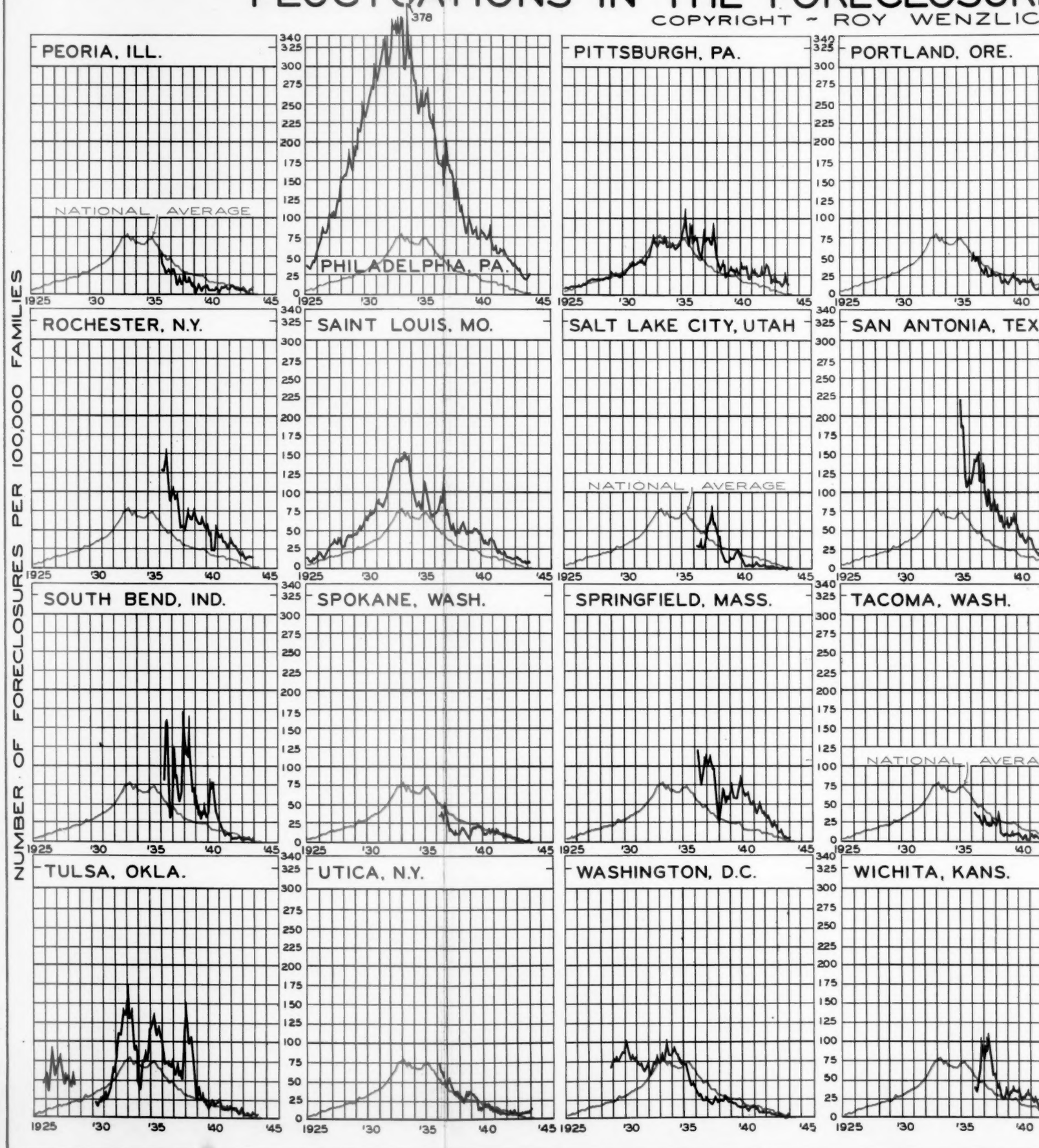
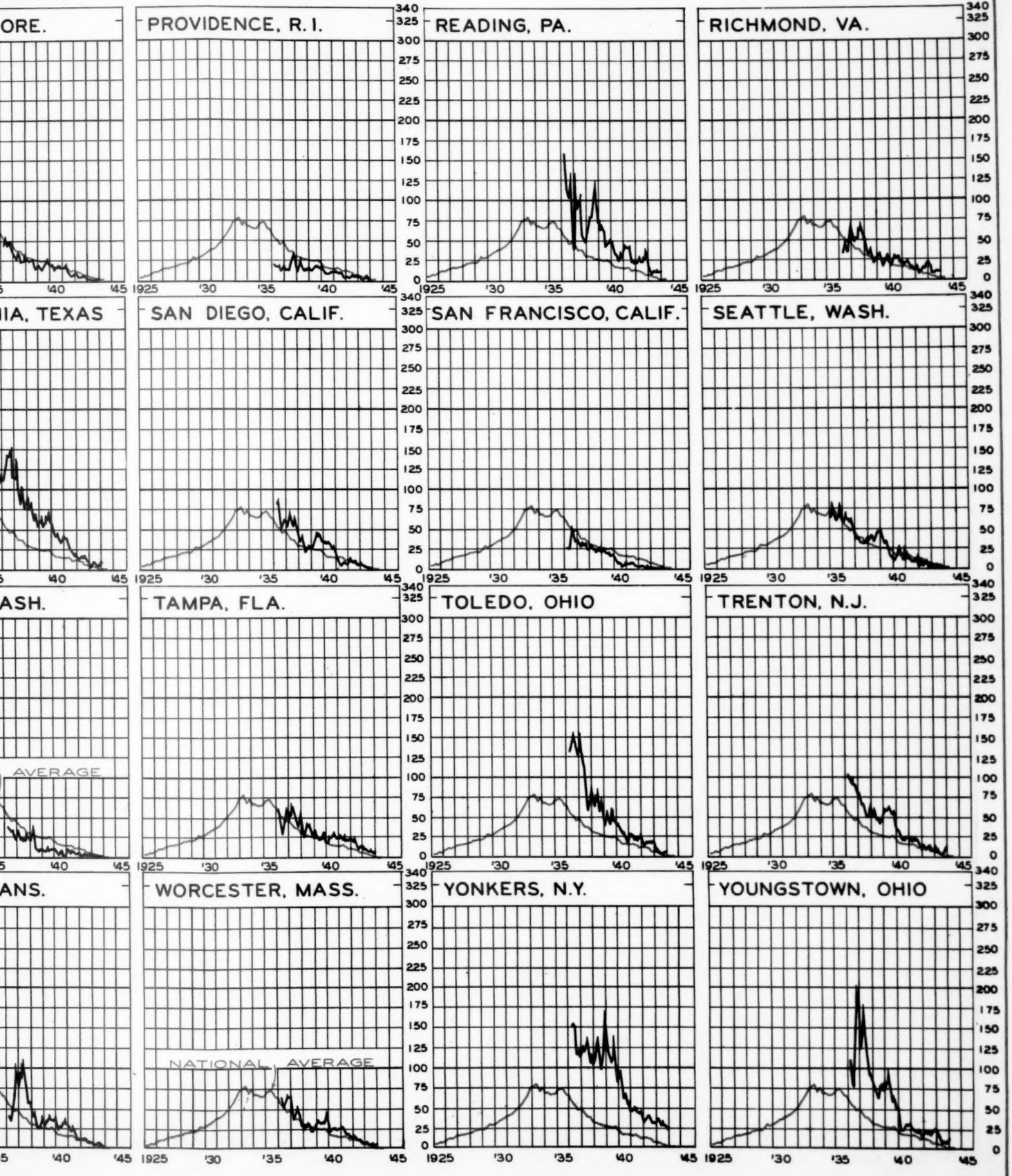


SURE RATE BY PRINCIPAL CITIES

IZLICK & CO. - 1944



I have been asked frequently whether the refinancing problem on government debt would not be so great in the early post-war period that some limitation might be placed on the cashing of war bonds. I accordingly wrote the Treasury Department and have received the letter reproduced below.

ROY WENZLICK

OFFICE OF THE UNDER SECRETARY

TREASURY DEPARTMENT

WASHINGTON 25

APR 7 1944

Dear Mr. Wenzlick:

This will acknowledge receipt of your letter of March 29, 1944, addressed to Secretary Morgenthau, in which you ask whether there is likely to be any limitation on the cashing of War bonds during the transition period after the war.

United States savings bonds are, by the terms of their contract, redeemable at the owner's demand after 60 days from date of issue in the case of Series A-E, and after six months in the case of Series F and G bonds. The United State Government has always met its obligations when due in the past and will continue to do so. Any future changes in the terms of United States savings bonds would not affect bonds already issued. We have given considerable thought to the problems which may be involved in the redemption of savings bonds after the war, and I discussed this subject in an address before the Worcester Economic Club in December 1943. I am enclosing a copy of the address for your information.

Your interest in these matters is very much appreciated.

Very truly yours,

D. W. Bell

Under Secretary of the Treasury

Mr. Roy Wenzlick
Roy Wenzlick & Company
915 Olive Street
St. Louis 1, Missouri

Enclosure

FOR VICTORY BUY UNITED STATES WAR BONDS AND STAMPS

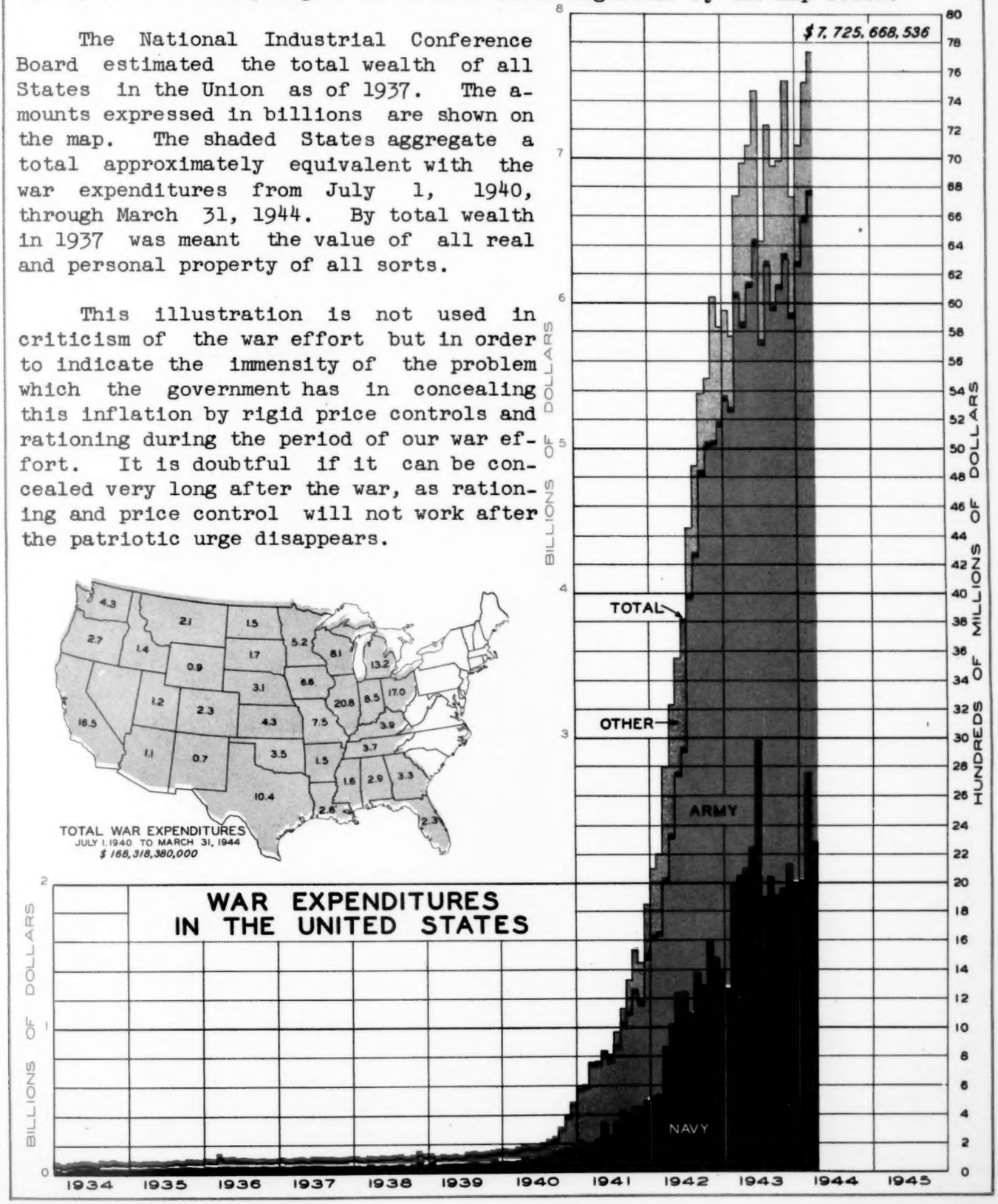
NEW PEAK IN WAR EXPENDITURES

DURING March war expenditures totaled $7,725,668,536. This was the largest monthly total to date, exceeding the figures of last November by more than 175 million. Our total war expenditures from July 1, 1940, to March 31, 1944, totaled $168,318,380,000. As figures of this size are incomprehensible, we are attempting to illustrate their magnitude by the map below.

The National Industrial Conference Board estimated the total wealth of all States in the Union as of 1937. The amounts expressed in billions are shown on the map. The shaded States aggregate a total approximately equivalent with the war expenditures from July 1, 1940, through March 31, 1944. By total wealth in 1937 was meant the value of all real and personal property of all sorts.

This illustration is not used in criticism of the war effort but in order to indicate the immensity of the problem which the government has in concealing this inflation by rigid price controls and rationing during the period of our war effort. It is doubtful if it can be concealed very long after the war, as rationing and price control will not work after the patriotic urge disappears.

TOTAL WAR EXPENDITURES
JULY 1, 1940 TO MARCH 31, 1944
$ 168,318,380,000



REAL ESTATE TRANSFERS IN PRINCIPAL CITIES

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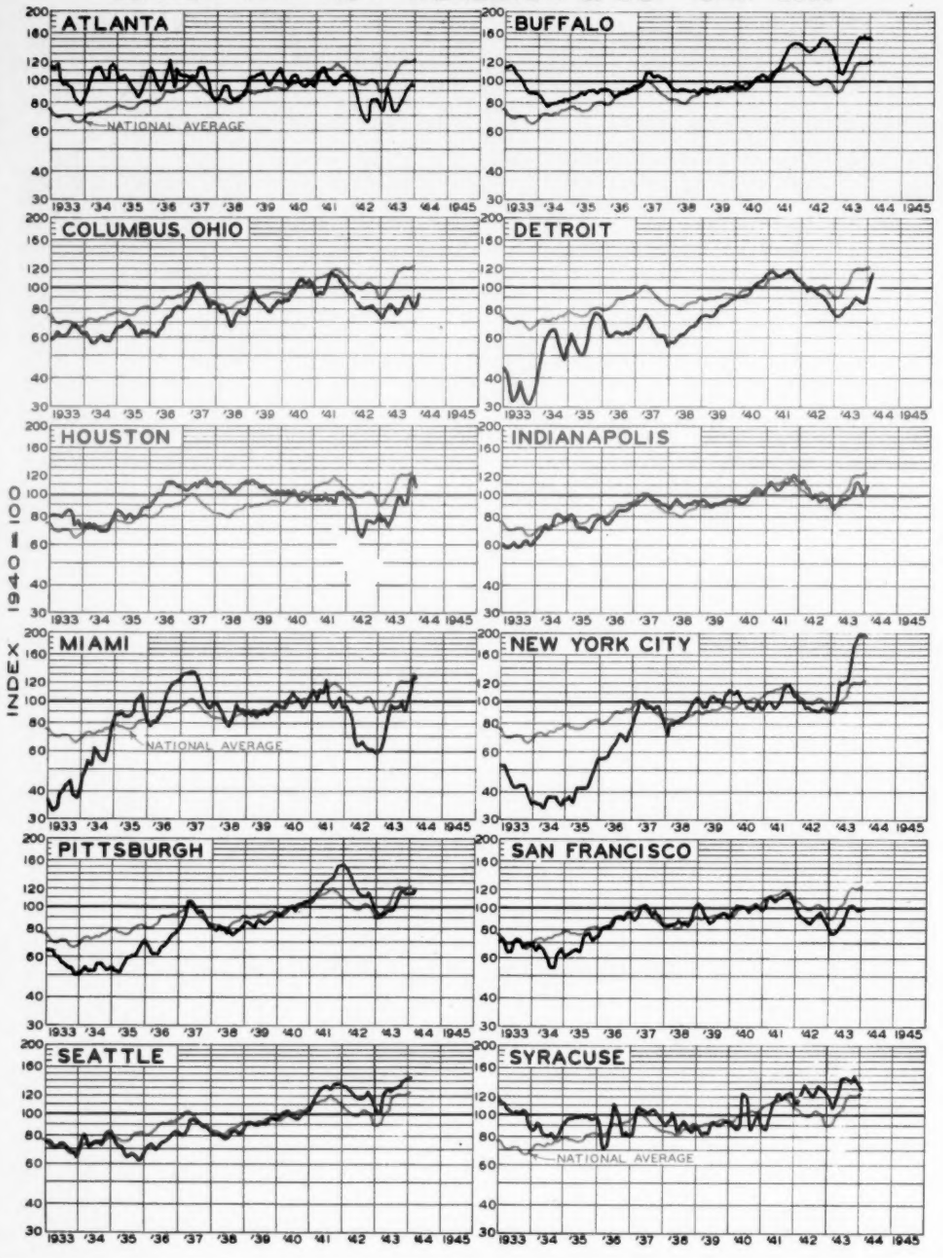

REAL ESTATE TRANSFERS IN PRINCIPAL CITIES

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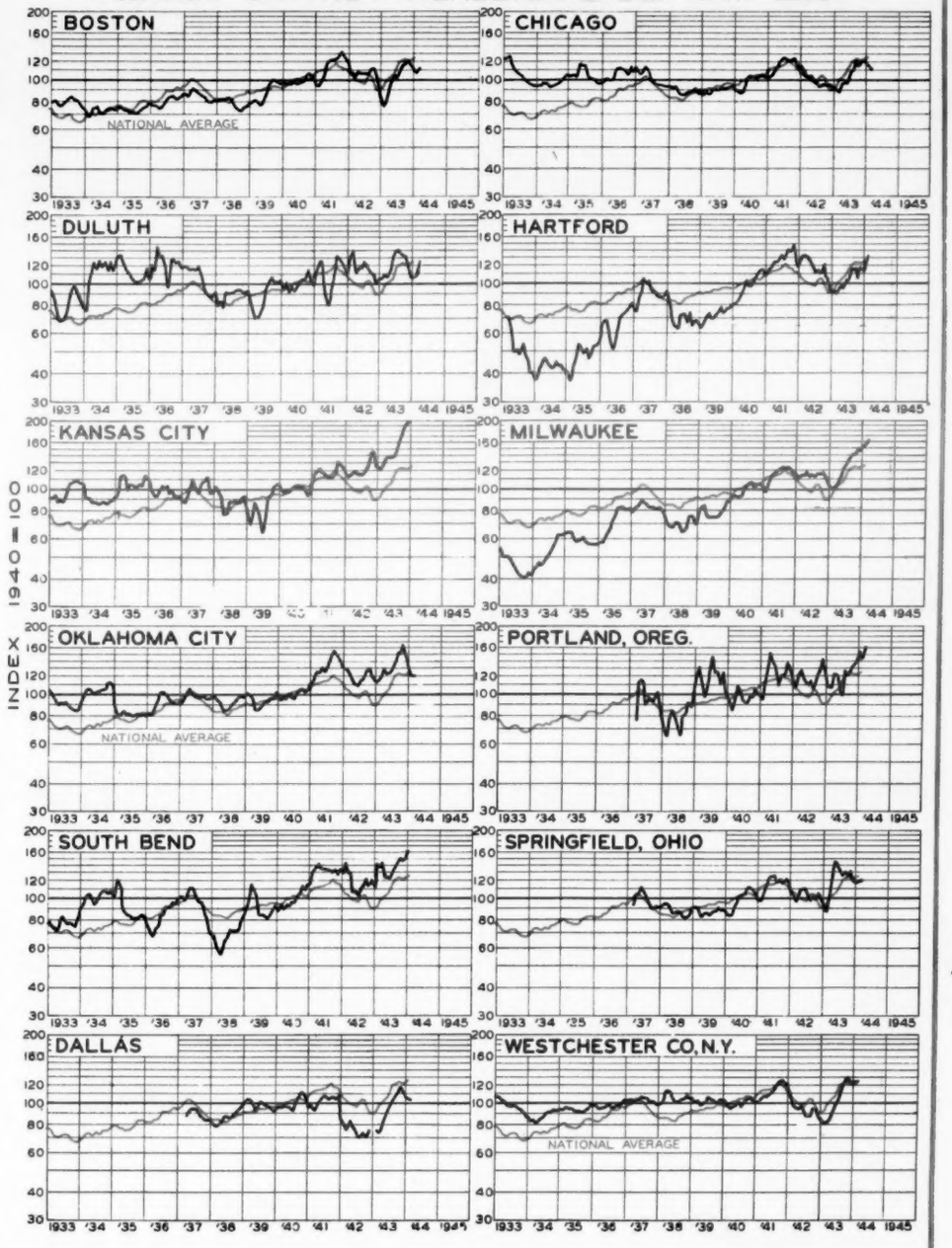

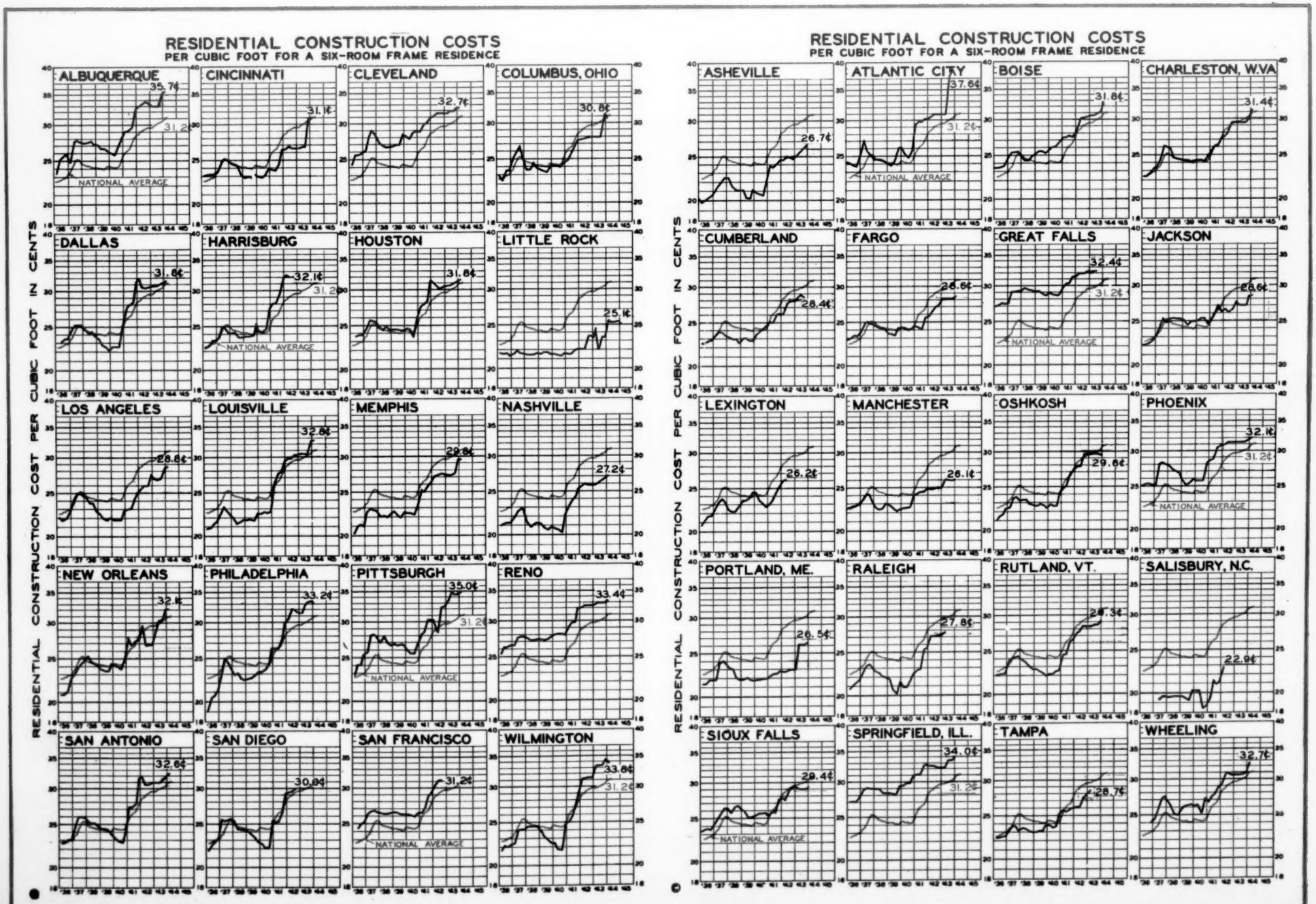
RESIDENTIAL CONSTRUCTION COSTS
PER CUBIC FOOT FOR A SIX-ROOM FRAME RESIDENCE
RESIDENTIAL CONSTRUCTION COST PER CUBIC FOOT IN CENTS
ALBUQUERQUE
35.7¢
31.2¢
NATIONAL AVERAGE
CINCINNATI
31.1¢
CLEVELAND
32.7¢
COLUMBUS, OHIO
30.8¢
DALLAS
31.8¢
HARRISBURG
32.1¢
31.2¢
NATIONAL AVERAGE
HOUSTON
31.8¢
LITTLE ROCK
25.1¢
LOS ANGELES
28.8¢
LOUISVILLE
32.8¢
MEMPHIS
29.8¢
NASHVILLE
27.2¢
NEW ORLEANS
32.1¢
PHILADELPHIA
33.2¢
PITTSBURGH
35.0¢
31.2¢
NATIONAL AVERAGE
RENO
33.4¢
SAN ANTONIO
32.6¢
SAN DIEGO
30.0¢
SAN FRANCISCO
31.2¢
NATIONAL AVERAGE
WILMINGTON
33.6¢
31.2¢
RESIDENTIAL CONSTRUCTION COSTS
PER CUBIC FOOT FOR A SIX-ROOM FRAME RESIDENCE
RESIDENTIAL CONSTRUCTION COST PER CUBIC FOOT IN CENTS
ASHEVILLE
26.7¢
ATLANTIC CITY
37.6¢
31.2¢
NATIONAL AVERAGE
BOISE
31.8¢
CHARLESTON, W.VA
31.4¢
CUMBERLAND
28.4¢
FARGO
28.6¢
GREAT FALLS
32.4¢
31.2¢
NATIONAL AVERAGE
JACKSON
28.6¢
LEXINGTON
26.2¢
MANCHESTER
26.1¢
OSHKOSH
29.6¢
PHOENIX
32.1¢
31.2¢
NATIONAL AVERAGE
PORTLAND, ME.
26.5¢
RALEIGH
27.8¢
RUTLAND, VT.
28.3¢
SALISBURY, N.C.
22.9¢
SIOUX FALLS
29.4¢
NATIONAL AVERAGE
SPRINGFIELD, ILL.
34.0¢
31.2¢
TAMPA
28.7¢
WHEELING
32.7¢